

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – JANUARY 14, 2003**

**PRESENT:** Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Financial Officer; Lt. Lisa Soiett, Bureau of Enforcement. Guests: Al Picconi, United Beverages, Inc; Michael Goclowski, Law Warehouse

**EXCUSED:** Chairman Anthony Maiola; Aidan Moore, Chief of Enforcement; Nicole Horton, Wine Marketing Specialist.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports:**

##### **A. Weekly, Y-T-D Store Reports:**

The SA1000 report for the week ending January 11, 2004 shows retail sales were down almost -0.4.5%, but on-premise sales were up 9.7%, off-premise sales were up 50.9%, and total aggregate sales were up almost 10.6%. There was some speculation as to what caused the large off-premise increase. It was suggested that B.J.'s Wholesale Club recently made some very large purchases which may have accounted for this.

The W-1 Total Weekly Sales Report for the same week confirms retail sales were up around 10.6% or \$514,906 and were also up for the year 8.3% or \$16,731,276. Wine sales also increased for the week by 17.1% or \$398,518, as they did by 8.7% or \$8,022,455. Sales of spirits were up on a weekly basis by 4.6% or \$116,387, and also increased year-to-date by a little over 8% or \$8,709,021.

##### **B. Budget/Administrative Reports:**

A review of the current outstanding depletions and post-offs report shows one broker 30 to 60 days in arrears. He has mailed a check and has been advised of finance charges.

There continues to be a follow-up to Christmas sales with fairly large redemptions of gift cards during the month of January, as anticipated.

The Dell contract was approved at the last Governor and Council meeting. Purchase of equipment will now move forward for placement at Law Warehouse. The cover letter for Sweepstakes payments has to be revised due to erroneous information as to where the money will come from, and will be on the next Governor and Council agenda.

Craig reported that Commissioner Hill has approved the e-licensing request to borrow from the venture fund. He will continue to work with Vicky Tinsley from OIT to process the rest of this project.

Work is continuing on business contingency plans, which will include establishing a number of standing committees. Once equipment is installed and tested, a control test will be conducted. This will not jeopardize regular operations in any way.

Craig requested a meeting with the Commission and Chief Moore regarding LSR 3087, which concerns moving tobacco licensing from DRA and gaming from Safety to the Liquor Commission. He did meet with Rick Wisler yesterday at Sweepstakes to discuss financial implications, and is trying to arrange a meeting with the Commissioner of DRA. Information can then be finalized on the LSR.

The latest W-6 Expense Budget Activity Variance Report shows the year to be at about 54% completed, with agency expenditures at around 54.3% of the budget. The lease line is a little high, and utilities are also up a bit. A meeting is scheduled with Tom Smith and a member of the Governor's Energy Commission to discuss expenses and savings. A review of this indicates that the Commission saved in kilowatt hours, but there were increased expenses elsewhere. George noted that, although the Commission is paying \$140,000 for equipment, almost all utilities are still covered. A report will be provided for the Commission's review. George remarked that it was still a little early to be concerned about Class 50 monies.

2. IT Report

The Dell order for equipment went out yesterday and should be delivered within three to four weeks.

The Data Capture contract has yet to be processed and is still waiting for approval from OIT.

Completion of the new web page is very close, and Howard asked everyone to take a serious look at it for potential changes before it goes out.

An answer should be available later today regarding how many holiday sales were for gift cards only.

**II. MARKETING & SALES REPORTS**

1. Store Operations

Total retail sales for the week ending 1/11/04 were up .76% or \$28,048.17, indicating the effects of the cold weather. Peter commented that he felt the large increase in off-premise market sales was due to restocking by the larger chains,

and that Store #48 Hinsdale had experienced very large sales on Sunday. Mike Goclowski said that he had noticed an expansion in both chain stores and clubs.

Store inventory procedures are continuing, with 30 stores completed last week and another 30 to be done next week.

Peter said that a number of store personnel issues are currently being addressed at this time.

John Bunnell reported that all information has been given to the Department of Transportation to be able to start construction of the building at the new Keene site, and that a meeting will be held this week to go over final plans. Hopefully, purchase of the land will be finalized soon. The Attorney General's Office now seems to be comfortable with the terms of this project.

2. Purchasing Report

There was nothing of real significance to note regarding out-of-stocks for this week.

Mike Goclowski distributed information relative to the new Law web site. There are currently 512 users and still 40 more yet to be switched from the old system. He would like to shut down the old system by the end of the month. The 40 outstanding businesses have been contacted by e-mail twice, and Mike is now recommending to the Warehouse that they be contacted by telephone. Commissioner Byrne recommended that this be completed by the end of next week. He also suggested doing an automatic jump-over to the new site at the end of the month. Mike said that attendance at regional training sessions has been very thin. A session will be conducted in the Hanover area, and the Hospitality Association will conduct one in the North Country area.

Mike also reported that last week their computer lost data and then restored more than was lost. As a result, there were a few duplicate licensee orders shipped. Approximately 10 to 12 licensees reported a problem. Howard said there were only four orders he knew of which had to be redone, and that none of these were very large.

3. Merchandising Report

A. SPIRITS:

1) Bowmore Single Malt Scotch Sale:

The Commission noted the results of the Bowmore Single Malt Scotch Sale, which took place from November 15, 2003 through January 4, 2004. Rick will review the results of this sale over the past few years and report back to the Commission.

2) Markdown Policy – Discontinued and Slow Selling Items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a formal markdown policy developed to address problem inventory items that occur in the normal course of business, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Commissioner Byrne cautioned that all products slated for markdown should be presented to the Commission for prior approval.)

3) President's Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-six (36) spirit items to be featured during the upcoming President's Day Sale, scheduled for Thursday, February 5 through Monday, February 16, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Test Market Results (12 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty listings for the following ten (10) 750ML size products which exceeded their respective gross profits required for such status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #3793, Monopolowa Vodka; Code #2832, Bushmills 21-Year Old Irish; Code #3645, Zafarancho Gold; Code #3646, Zafarancho Silver; Code #3443, Millers Gin; Code #3589, Stoli Citros; Code #4744, Kelt VSOP Cognac; Code #5741, Viper; and Code #5742, Sting. It was further moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of the following three (3) 750ML sizes products which failed to earn both their respective gross profits required for full distribution and specialty listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #3620, Seagrams Citrus Vodka; Code #3622, Seagrams Vanilla Vodka; and Code #3623, Seagrams Apple Vodka. The motion was unanimously adopted.

5) Product Demo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company to conduct a product demo of Cask & Cream Chocolate Temptation and Caramel Temptation on Friday, January 30, 2004 at the top ten stores, as recommended by Richard

Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Late February Offer (United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one late special offer from United Beverages, Inc., based upon depletions of one (1) spirit item, to be featured on sale during February 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) March Special Offers:

a. 6 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of six (6) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 40 items – Executive Wine & Spirits/Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of forty (40) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 7 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State

Trading Company, based upon depletions of seven (7) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 72 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of seventy-two (72) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 203 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and three (103) spirit items, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (general distribution – Codes #35145, #38027 & #38181):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the full distribution of the following three (3) 750ML size wine items, each of which has earned at least \$6,500.00 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #35145, Madfish Shiraz; Code #38027, Wild Pig Chardonnay; and Code #38181, Rex Goliath Pinot Noir. The motion was unanimously adopted.

2) Special Offers for March 2004 (13 items – M.S. Walker, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of thirteen (13) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Marketing Specialist and concurred by John

Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Recommended Wine Specialty Products (13 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirteen (13) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Wine Specialty Product Listings for a Second Size (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve six (6) wine codes to be designated as wine specialty products which have met the requirements for a second size, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Not Recommended – Wine Specialty (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny the listing of three (3) wine codes as wine specialty products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) “R” wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions (8 items – primary source; 8 items – exclusive agent; 26 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are from primary source, eight (8) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-six (26) wine codes which are not from primary source, but are imported, as recommended by Nicole

Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**III. ENFORCEMENT & LICENSING REPORTS – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 8 through January 14, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

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